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SUBJECT: NETANYAHU SECURES A COALITION

REF: A. TEL AVIV 675  
[1](#)B. TEL AVIV 646  
[1](#)C. TEL AVIV 580

[1](#)1. (SBU) SUMMARY. Prime Minister-Designate Binyamin Netanyahu saw his coalition cemented the evening of March 24 when the Labor party's Central Committee voted to join the next government. Netanyahu also has agreements with Yisrael Beiteinu (YB) and SHAS, giving him a 66-seat coalition. Netanyahu is slated to present the government to the Knesset on March 30 and take office that day. The agreement with Labor helps create a less rightwing coalition, and gives the incoming premier the Minister of Defense (Labor leader Ehud Barak) that he had sought even before the elections. The coalition agreements, however, will present Netanyahu with other problems. He must now pick through what few ministerial portfolios remain to placate members of his own party. He also must strive to maintain a balance that will keep Labor satisfied while not alienating his partners on the right. That delicate balancing act has already begun, as reports of a deal with YB for further building in the E-1 corridor appeared the same day as Netanyahu declared he would, in fact, conduct peace talks with the Palestinians. Barak, for his part, at least temporarily beat back his challengers and will have an array of spoils to withhold or reward them with. End Summary.

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NETANYAHU SECURES A MAJORITY,  
LOOKS TO PRESENT GOVERNMENT NEXT WEEK  
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[1](#)2. (SBU) The Labor party (13 seats in the Knesset) vote on March 24 to join Netanyahu's government gave Netanyahu a 66-seat coalition in the 120-member Knesset, as he had earlier signed agreements with YB (15 seats) and SHAS (11 seats). The Likud leader the following day was set to sign a deal with the Jewish Home party, which would expand his coalition to 69 seats. Press reports quoting unnamed sources close to the Likud leader say he will present his government to the Knesset on Tuesday, March 30, at which point the legislative body will conduct a vote of confidence in his

government and he and his ministers will officially take office. In the interim, he reportedly will resume talks with United Torah Judaism, which could bring him an additional five seats, but these discussions will not push back Netanyahu's desired timeline.

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GOVERNMENT COMES WITH BENEFITS, HEADACHES  
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[1](#)3. (SBU) The agreement with Labor gained Netanyahu not only a government, but provided him additional international legitimacy by having the nominally dovish Labor party on board what would otherwise be a solid rightwing government. It also gives Netanyahu a Defense Minister in Barak whom the

public largely trusts as Israel faces tough decisions on how to confront Iran's nuclear ambitions, as well as the continuing rocket attacks from the Gaza Strip and potential threats from Hizballah and Syria. Additionally, Labor's inclusion in the government dilutes some of the bargaining power of Netanyahu's rightwing partners. It is not coincidence, for example, that Jewish Home apparently gave up its demand for the Education Ministry immediately after Labor's deal was approved.

14. (SBU) That said, Labor's entry into the coalition poses three key challenges to Netanyahu. First, will Netanyahu actually have Labor's full support? At least seven Labor MKs stridently opposed the agreement with Netanyahu, and it is possible some of these MKs will operate as a dissident faction or split off from Labor entirely. Second, the incoming premier will have to mollify as many as 11 members of his own party who had expected to be ministers. With Labor gaining five ministerial positions Netanyahu has only six portfolios remaining, none of which rise to the level of a senior cabinet position. One key factor working in Netanyahu's favor is that opponents in the party are likely to be chastened by Likud's last rebellion, which led to the party garnering only 12 seats in the 2006 election. With Tzipi Livni and her Kadima party already having won a plurality in the February elections, and standing ready to pounce at another electoral opportunity, disappointed Likud MKs are likely to swallow their pride for now. The third challenge for Netanyahu will be maintaining a middle ground between Labor and his rightwing partners. Already Netanyahu has begun the delicate dance, telling a group of Israeli, Arab, and foreign businessmen today that he will engage in peace talks with the Palestinians, while unconfirmed reports leaked that he had reached a secret agreement with Lieberman to commence construction in the E-1 area that would threaten the contiguity of Palestinian population centers in the West Bank.

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BARAK PREVAILS AGAINST PARTY FOES  
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15. (SBU) In the Labor vote that provided Netanyahu his majority, the party's Central Committee by a 58 to 42 percent margin opted to approve Barak's agreement to enter the coalition. The days and hours leading up to the vote proved acrimonious, as the party appeared split over which course -- joining the government or playing second to Kadima in the opposition -- would prove the death knell of the once-proud party. However, a high voter turnout, along with strong backing from Histadrut labor federation chairman Ofer Eini, helped Barak secure the victory. Notably, the Central Committee vote also gives Barak the sole discretion in appointing Labor ministers to the new government. How Barak uses that power -- will he appoint foes as well as friends? -- will help determine whether the party rift will heal or widen.

16. (SBU) Though bringing in a relatively small number of seats, Barak has significant spoils to spread around. Israel media reports that Labor is slated to get the Defense Ministry, Industry and Trade, Agriculture, and Welfare ministries, along with a ministry without portfolio, two deputy minister positions (one in the Ministry of Defense), and a rotating chairmanship of the powerful Foreign Affairs and Defense Committee in the Knesset. The agreement also gives Labor and Histadrut a formal say in economic decisions, provides for increases in pensions and unemployment benefits, and stipulates that the Defense Minister will be a full partner to the limited forum of Cabinet decisionmakers.

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